



**CITY OF SCOTTSDALE  
TOURISM DEVELOPMENT COMMISSION  
BUDGET COMMITTEE**

**TUESDAY, JULY 28, 2009**

**SANCTUARY ON CAMELBACK MOUNTAIN RESORT AND SPA  
VISTA BOARD ROOM  
5700 E. MCDONALD DRIVE  
PARADISE VALLEY, ARIZONA 85253  
APPROVED MINUTES**

**MEMBERS PRESENT:** Mike Surguine, Chairman  
Kate Birchler  
Sam Fox

**STAFF:** Kathy O'Connor, Tourism Development Manager  
Steve Geiogamah, Tourism Development Coordinator  
Lee Guillory, Finance Manager  
Scott McCarty, Financial Services General Manager

**1. Call to Order/Roll Call**

Chairman Surguine called the meeting of the Scottsdale Tourism Development Commission Budget Committee to order at 3:12 p.m. Ms. O'Connor noted that while a majority of the Tourism Development Commission could possibly attend, no legal action would be taken.

**2. Review of FY09/10 Tourism Development Portion of the Bed Tax Budget**

Chairman Surguine said the Committee was tasked with reviewing the non-CVB expenditure of bed-tax dollars approved in the FY09/10 budget, and to make recommendations as to whether they were being expended in the best way possible. He proposed that the Committee evaluate expenditures individually, turning first to capital projects.

Chairman Surguine inquired about the \$600,000 debt service on WestWorld. Mr. McCarty responded that the flexibility on this budget item is nil, since it works like a mortgage payment. Ms. Guillory added that it pays for the debt service on the City's purchase of 80 acres near WestWorld for parking. The three annual payments that have

been made so far have not fluctuated. Bed tax pays for only a portion of the City's \$5 million annual debt service on the parcel. The remaining balance comes out of the General Fund. The 80 acres purchase price was \$48 million. Mr. McCarty explained that the City bought the land when it became available, and is in the process of determining what the best investment use for it would be, including possibly selling it. The decision to buy the land came at a time when the City was in a different financial position than it currently is.

Ms O'Connor noted that capital projects are one of the core areas that bed tax is approved for. WestWorld was envisioned as a premiere event center, and the City was intent on improving it as a venue. The Commission decided that the land would be a good use for the bed tax money. The 80-acre parcel was purchased as a fallback, in case the City was unable to buy another parcel of land that was targeted as parking. The City did make that purchase as well. Chairman Surguine inquired about the debt service for the Loloma Museum. Mr. McCarty explained that the project is at least two to three years away from being a real expenditure.

Chairman Surguine noted that \$126,000 was allocated between the research and consultant line items. Ms. O'Connor explained that research includes the Leisure Visitor Inquiry Study, and noted that sometimes research overlaps with the need for a consultant on a particular project, such as the DDC. Chairman Surguine asked whether the CVB performance measures would still stand, given the reduced budget. Ms. O'Connor explained that the performance measures are how the City validates whether it is getting the service that it has contracted for. Chairman Surguine inquired about the Visitor Industry Customer Analysis (VICA). Ms. O'Connor explained that the analysis is an activity of the CVB, and is not tied to a specific measure of performance while the Leisure Visitor Study is an activity of the City and gives annual information about leisure visitor's demographics and activities during their stay in Scottsdale.

Chairman Surguine said that given how much has been cut from marketing, he felt spending \$126,000 on research and consultants would be excessive. Some of the money could be better used to attract visitors. He requested that Staff provide information on which line items are contractually obligated. Commissioners Birchler and Fox agreed that the money would be better spent on present concerns than on future ones.

The Committee next turned to event support and promotion. Commissioner Birchler inquired about tourism dollars being spent on events that target locals. Ms. O'Connor explained that the \$27,750 allocated towards community events was made at the request of Councilman McCullagh, who felt that some portion of the bed tax should be used to support large-scale, historically significant events. The amount recommended by the TDC, was set initially at \$25,000, with annual increases based on the CPI. Council approved the Commission recommendation. Part of the justification for this expenditure was that even though these events might not bring tourists to Scottsdale specifically, they do serve as amenities that add to the quality of the Scottsdale experience.

The Committee reviewed the Matching Event Advertising Funding (MEAF). Ms. O'Connor noted that the original FY08/09 budget for MEAF was set at \$180,000. After the applications went out, the total pool of funding was reduced 20% when it

became clear that the bed tax was going to be noticeably down. Later the Council added the Festival of the West to the approved list of recipients, taking \$1,000 from each of the top seven funded events. MEAF is entirely funded by bed tax revenues. Events have been emphasized in Scottsdale because they are useful as both product and marketing tools. The theory is that many events together create critical mass and provide offerings that do not exist anywhere else. For the money that is spent, the City's return on investment has been acceptable.

Chairman Surguine said in light of the belt-tightening that has occurred elsewhere, the Committee should at least consider further reductions to MEAF. Commissioner Birchler agreed. In response to an inquiry from Chairman Surguine, Ms. O'Connor said the Commission could recommend whether to fund MEAF, and for how much, but it would ultimately be up to Council to decide. Commissioner Birchler noted that questions remain surrounding the requirements for MEAF, and there have been instances when events fail to meet the requirements, but the Commission was never notified that the funding was withheld. The MEAF program could still be improved, and the Commission is behind schedule this year on the program. In response to an inquiry from Commissioner Birchler, Ms. O'Connor said event organizers have been notified that the Commission is still in the process of discussing the budget, and that they would be kept informed of the outcome of those discussions.

Commissioner Birchler said there are only a couple of line items that the Committee could feasibly adjust, and MEAF is one of them. Commissioner Fox proposed a further 20% reduction in MEAF. Chairman Surguine noted that the CVB marketing budget was reduced by 49%, and the money saved by a reduction in MEAF could be better used there. He proposed that the MEAF be reduced by 30%. Commissioner Birchler said tourism is in crisis mode, and emphasis should be placed on what is best in the short term. She noted that operating costs are another line item that offers little flexibility.

Chairman Surguine noted that the Commission was not informed for four months that \$176,000 of the bed tax money would be used to cover staffing costs, which had previously been covered by the General Fund. Mr. McCarty explained that it was part of a bigger strategy to use restricted monies to pay for staffing. The City gets money from many sources, some of which come with restrictions in how they are spent. The strategy was intended to protect staff in areas such as the Court, the CIP, and Community Services. Council approved the shift on January 20, as part of the effort to balance the budget. Commissioner Birchler inquired why it took four months for the Commission to learn about it. Chairman Surguine said the first he learned of it was during the Budget Review Commission meetings in April. The Commission really should have learned about it earlier. Ms. O'Connor agreed that in retrospect it could have been handled differently, and said Staff would endeavor not to repeat that moving forward.

Chairman Surguine inquired about the Soleri Bridge project. Mr. McCarty responded that it might be a year to 18 months away from being finished. The money remains in the bed tax fund for now. When the construction contract comes up in November, it might prompt another discussion about whether the bridge is necessary, and if so, how it would be funded.

The Committee reviewed the recommendations:

- Capital projects - \$150,000 possibly being available soon.
- Research and consultants - The Committee requested that Staff provide a breakdown of expenses, particularly on items not contractually obligated.
- Community events - No change.
- MEAF - The recommendation was initially for a 30% reduction to the budgeted amount of \$130,000, but Chairman Surguine altered his position, proposing that the MEAF budget be rounded off to an even \$100,000. The Committee concurred.
- Staffing - No recommendation.

Chairman Surguine summarized that potentially there could be from \$180,000 to \$230,000 available for redeployment, including \$150,000 from capital projects, \$30,000 from MEAF, and whatever could be freed up from research and consulting.

**3. Identification of Future Agenda Items**

None.

**4. Public Comment**

None.

**5. Adjournment**

With no further business before the Committee, the meeting adjourned at 4:14 p.m.

Respectfully submitted,  
A/V Tronics, Inc. DBA AVTranz.